

PUBLIC DISCLOSURE

OCTOBER 20, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

THE NORTHAMPTON CO-OPERATIVE BANK

67 KING STREET
NORTHAMPTON, MA 01060

DIVISION OF BANKS
100 CAMBRIDGE STREET
BOSTON, Massachusetts 02202

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire local community, including low and moderate-income neighborhoods, consistent with the safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **THE NORTHAMPTON CO-OPERATIVE BANK** prepared by the Massachusetts Division of Banks, the institution's supervisory agency.

INSTITUTION'S CRA RATING: This institution is rated " High Satisfactory".

The Northampton Co-operative Bank's overall CRA rating is based upon its performance in the five criteria contained herein and, at bank management's request, its qualified investments and services. The following is a summarization of the findings that were utilized in formulating the bank's overall CRA rating.

Northampton Co-operative Bank has achieved a strong average net loan to total deposit ratio of 90.6%, which fluctuated from a low of 85.7% in September 1998, to a high of 94.0% in June 1998.

A substantial majority of the Northampton Co-operative Bank's HMDA reportable lending – 96% by number and 96.2% by dollar amount - is originated within its assessment area.

Northampton Co-operative Bank has demonstrated a reasonable distribution of HMDA reportable loans to individuals of low-income - 3.5% by number, 2.7% by dollar and, of moderate-income - 6.3% by number, 4.5% by dollar amount - given the demographics of the bank's assessment area.

The bank has achieved a significant penetration of HMDA reportable lending in the one low income census tract- 2.8% by number, 2.4% by dollar- and the one moderate-income census tract - 7.0% by number, 7.8% by dollar amount -given the demographics of the bank's assessment area.

Fair lending policies and practices are considered reasonable.

Lastly, in assessing whether an institution's CRA performance is "High Satisfactory" under the small institution performance standards, the Division may also consider the institution's performance in providing qualified investments and services. At management's request, the Northampton Co-operative Bank's investments and services were reviewed and found to be favorable, particularly given the asset size of the bank and the limited opportunities for qualified investments or community development services within the bank's assessment area.

PERFORMANCE CONTEXT

Description of Institution

The Northampton Co-operative Bank is a small mutual savings bank, incorporated under the laws of the Commonwealth of Massachusetts in 1889. As of the September 30, 1998, FDIC Quarterly Call Report, the Northampton Co-operative Bank had total assets of \$86,073,000. Of total assets, \$ 61,741,000 or 74.4 percent were in the form of loans. The bank has historically been a residential lender, with approximately 78.5 percent of its loan portfolio in one-to-four family residential mortgages. The remainder of the portfolio consists of commercial real estate loans (10.5 percent), home equity lines of credit/second mortgages (6.2 percent) construction and land development loans (2.7 percent), consumer loans (1.6 percent), and commercial loans (0.5 percent).

The Northampton Co-operative Bank's main office is located at 67 King Street in Northampton, Massachusetts. One other full service branch office is located at 253 Triangle Street in Amherst, Massachusetts. Office hours are convenient and appear to be accessible to all segments of the assessment area. The bank maintains Automated Teller Machines (ATM) at both locations that are linked to the NYCE/Cirrus networks, and both locations offer drive-up service with extended morning hours.

The Northampton Co-operative Bank competition consists of local banks, credit unions, a branch network of national banks, and a number of mortgage companies. The current Bell Atlantic telephone directory for the Hampshire County area lists 15 institutions under "Banks", 5 institutions under "Credit Unions", and 13 lenders under "Mortgages". The market influence from these entities appears to be significant, and as a result, serves to keep the Northampton Co-operative Bank's rates and services offered very competitive.

The Division of Banks last examined the Northampton Co-operative Bank for compliance with the Community Reinvestment Act on September 23, 1996. That examination resulted in a CRA rating of "Satisfactory".

Description of Northampton

The City of Northampton is located in western Massachusetts, and is bordered by the Town of Easthampton on the south, the Town of Westhampton on the west, the towns of Williamsburg and Hatfield on the north, and is separated from the Town of Hadley on the east by the Connecticut River. The city is 93 miles from Boston, and 43 miles from Pittsfield, Massachusetts.

The city has a strong and diverse economic base consisting of a retail and commercial sector, a manufacturing sector, and a large institutional base, which includes county services, three hospitals, and Smith College.

Description of Assessment Area

The Northampton Co-operative Bank has designated one city and nineteen towns located in Hampshire and Franklin Counties as its assessment area. These localities are the City of Northampton and the towns of Amherst, Belchertown, Chesterfield, Cummington, Easthampton, Goshen, Granby, Hadley, Hatfield, Huntington, Middlefield, Pelham, Plainfield, South Hadley, Southampton, Ware, Westhampton, Williamsburg, and Worthington. All of these localities are in

Hampshire County. In Franklin County they are the towns of Leverett, New Salem, Shutesbury, Sunderland, and Whately.

The towns of Amherst, Belchertown, Easthampton, Granby, Hadley, Hatfield, Huntington, Northampton, South Hadley, Southampton, Sunderland, Ware and Williamsburg are all located in the Springfield Metropolitan Statistical Area (MSA). The remaining cities and towns are located in a Non-MSA area. The 1997 and 1998 HUD estimated median family income for the Springfield MSA was \$45,500. The 1997 and 1998 HUD estimated median family income of the non-MSA was \$44,900

The Northampton Co-operative Bank's assessment area contains thirty-five census tracts - one (2.9%) low-income, one (2.9%) moderate-income, seventeen (48.5%) middle-income, twelve (34.3%) upper-income, and four (11.4%) census tracts with no income designation.

Housing information obtained from PCI Services, Inc., CRA Wiz, based upon 1990 census data, indicated that there are 56,875 housing units within the bank's assessment area. Refer to the following table for more information.

Assessment Area Housing Statistics*					
Census Tracts	# of Housing Units	% Owner Occupied	% Renter Occupied	% Vacant	Total
Low	128	0.0	80.5	19.5	100.0
Moderate	2,495	31.0	67.9	1.1	100.0
Middle	38,682	55.4	38.0	6.6	100.0
Upper	15,561	71.6	23.1	5.3	100.0
NA	9	0.0	66.7	33.3	100.0

*Source: PCI Services, Inc., CRA Wiz Software.

The location and percentage of owner-occupied dwellings in the one low-income and one moderate-income census tracts within the bank's assessment area suggests limited lending opportunities in those areas. Both the low-income tract and the moderate-income tract are located in the Town of Amherst at the site of the University of Massachusetts campus. The housing within these tracts consists of student and faculty rental housing for the university, as indicated by the composition of those tracts reflected in the previous table.

One of the four non-income designated census tracts is also located in the Town of Amherst, and is the site of the Hampshire College campus. That tract contained only 3 housing units at the time of the 1990 Census. The remaining three non-income designated census tracts are located in the City of Northampton and include the United States Veterans Administration Hospital at Leeds and the former site of a Department of Mental Health Hospital. These tracts combined contained only 6 housing units at the time of the 1990 Census.

The 1990 census data indicated that in the Northampton Co-operative Bank's assessment area, the weighted average median value of a home was \$137,553, in 1990, while the weighted average median family income was \$42,311. Further, 10.0 percent of the households within the bank's assessment area are below poverty level.

The primary industry within the assessment area is considered to be higher education. There are five colleges located within the assessment area: Amherst College, Hampshire College, Mount Holyoke College, Smith College and the main campus of the University of Massachusetts. The

presence of so many colleges within the area creates an inordinately high rental population that is seasonal in nature.

According to information contained in a statistical report compiled by the Economic Research and Analysis Department of the Massachusetts Department of Employment and Training, as of August 1998, the bank's assessment area had a labor force population of 83,853 or 2.5 percent of the total state labor force. The average unemployment rate within the assessment area was 2.2 percent and the number of unemployed individuals was 1,847. The state unemployment rate in August 1998 was 2.8 percent, and the number of unemployed individuals (statewide) was 92,400.

Description of Aggregate Data Utilized/Lending Activity

Aggregate data for lending performance purposes only, constitutes 186 (both large and small) mortgage companies, savings banks, commercial banks, cooperative banks, and credit unions, which have originated and/or purchased residential mortgage and/or home improvement loans within the bank's assessment area (source: PCI Services, Inc., CRA Wiz). The total number of originations/purchases received by these lenders in Calendar Year 1997 was 3,568. The top 5 lenders (in descending order) within the Northampton Co-operative Bank's assessment area in 1997 were: Florence Savings Bank, 383 loans/11.0 percent share; Springfield Institution For Savings, 280 loans/8.0 percent share; Easthampton Savings Bank, 235 loans/7.0 percent share; Source One Mortgage, 215 loans/6.0 percent share; and NorWest Funding, Inc., 173 loans/5.0 percent share. All of these institutions are significantly larger than Northampton Co-operative Bank, which was ranked 12th with 69 loans for a 2.0 percent share.

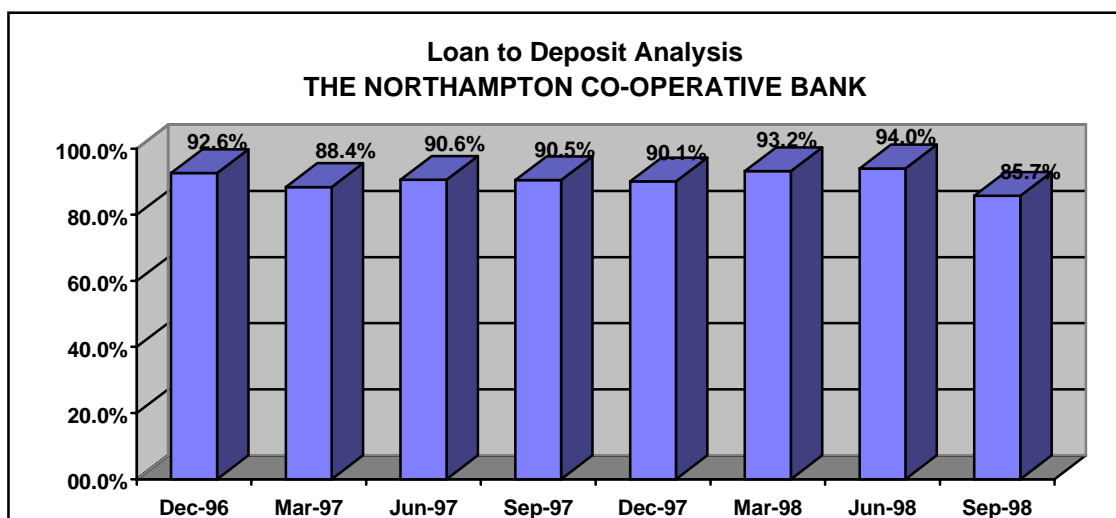
PERFORMANCE CRITERIA

1. LOAN TO DEPOSIT ANALYSIS

Based upon the following, the Northampton Co-operative Bank's net loan to total deposit ratio appears to be consistently strong and, as such exceeds the standards for satisfactory performance.

The analysis of Northampton Co-operative Bank's loan to deposit ratio incorporated eight quarters of the bank's net loans to total deposit figures as reflected in the bank's quarterly FDIC Call Reports. The quarters reviewed included the periods from December 1996 through September 1998. The bank's average net loan to total deposit ratio was 90.6 percent. This ratio has remained quite high, fluctuating from a low of 85.7 percent in September 1998, to a high of 94.0 percent in June 1998.

The following graph illustrates the Northampton Co-operative Bank's net loan to total deposit trends.



Not reflected in the aforementioned analysis is the overall growth rate in net loans and total deposits. Over the period reflected in the graph, the Northampton Co-operative Bank's net loan portfolio increased by only 2.0%, far behind deposit growth of 10.2%. From September 30, 1997 through September 30, 1998, the bank's loan portfolio decreased by 2.0%, while deposits grew by 3.5%.

Contributing to the bank's low loan growth is the fact that the Northampton Co-operative Bank has had a long-standing correspondent relationship with Park West Bank and Trust (Park West) for its fixed rate loan products. The Northampton Co-operative Bank takes the application and begins the initial documentation process; however, Park West ultimately makes the credit decision and, once approved, subsequently acquires the mortgage. For the period under review (January 1, 1997 through September 30, 1998), the Northampton Co-operative Bank, through its correspondent relationship with Park West, referred 30 loans totaling \$3,300,500.

Comparisons of the Northampton Co-operative Bank's net loans to total deposit ratio to that of local community bank's was also performed. As of June 30, 1998, the Northampton Co-operative Bank had total assets of \$82 million, and a net to loan deposit ratio of 94.0%. The net loan to deposit ratios, as well as the total assets of local community financial institutions, are reflected in the following table. Those institutions chosen for this analysis have a main office or branch location in the City of Northampton. The data presented is as of June 30, 1998.

COMPARATIVE NET LOAN TO TOTAL DEPOSIT RATIOS*		
Institution	Total Assets (\$)	Net Loan to Total Deposit Ratios (%)
The Bank of Western Massachusetts	278,763,000	93.1
Easthampton Savings Bank	333,998,000	71.1
First Massachusetts Bank, NA	796,616,000	85.1
FHBT Credit Union	15,155,000	75.0
Florence Savings Bank	359,635,000	86.2
The Northampton Co-operative Bank	81,859,000	94.0
United Co-Operative Bank	411,908,000	93.5

*As of June 30, 1998.

As indicated, the Northampton Co-operative Bank's net loan to deposit ratio has remained consistently strong over the eight quarters reflected herein, and outpaces that of other financial institutions operating within the City of Northampton. Therefore, the bank's performance under this criterion is considered to exceed satisfactory standards.

2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA (\$)

Based upon the following data, the Northampton Co-operative Bank's percentage of lending activity within its assessment area is considered to be substantial. Consequently, this pattern of lending is determined to exceed the standards for satisfactory performance.

A review of the Northampton Co-operative Bank's HMDA reportable lending for the period January 1, 1997 through September 30, 1998 was conducted. Both the bank's HMDA data and LAR revealed the bank originated a total of 148 HMDA reportable loans. The number of loans granted within the bank's assessment area total 142 or 96.0 percent and loans granted outside the bank's assessment area total 6 or 4.0 percent. By dollar volume the bank granted \$16,554,000 or 96.2 percent inside its assessment area and \$648,000 or 3.8 percent outside, for a grand total of \$17,202,000 in HMDA reportable loans originated for the period under review.

The following table reflects the Northampton Co-operative Bank's overall HMDA reportable lending by each of the communities within its assessment area. Any community where no lending occurred was excluded from this table.

HMDA REPORTABLE LOANS BY NUMBER AND DOLLAR VOLUME*												
LOCATION	1997				1998**				TOTAL			
	#	%	\$(000)	%	#	%	\$(000)	%	#	%	\$(000)	%
Amherst	31	43.7	3,691	44.6	23	29.9	2,613	29.2	54	36.5	6,304	36.7
Northampton	17	23.9	2,177	26.3	20	26.0	2,672	29.9	37	25.0	4,849	28.2
Leverett#	6	8.5	683	8.3	7	9.1	719	8.0	13	8.8	1,402	8.2
Belchertown	5	7.1	354	4.3	4	5.2	335	3.8	9	6.1	689	4.0
Pelham	1	1.4	150	1.8	3	3.9	516	5.8	4	2.7	666	3.9
Hatfield	2	2.8	395	4.8	2	2.6	263	2.9	4	2.7	658	3.8
Williamsburg##	2	2.8	197	2.4	4	5.2	424	4.8	6	4.1	621	3.6
Sunderland/Whately	3	4.2	291	3.5	2	2.6	283	3.2	5	3.4	574	3.3
Hadley	0	0.0	0	0.0	3	3.9	285	3.2	3	2.0	285	1.7
Southampton	1	1.4	35	0.4	2	2.6	208	2.3	3	2.0	243	1.4
Easthampton	1	1.4	74	0.9	2	2.6	132	1.5	3	2.0	206	1.2
Granby	0	0.0	0	0.0	1	1.2	57	0.6	1	0.7	57	0.3
TOTAL INSIDE	69	97.2	8,047	97.3	73	94.8	8,507	95.2	142	96.0	16,554	96.2
TOTAL OUTSIDE	2	2.8	221	2.7	4	5.2	427	4.8	6	4.0	648	3.8
TOTAL	71	100.0	8,268	100.0	77	100.0	8,934	100.0	148	100.0	17,202	100.0

*Source: PCI Services, Inc., CRA Wiz Software.

** Through September 30, 1998.

Includes the towns of Shutesbury and New Salem.

Includes the towns of Huntington, Westhampton, Chesterfield, and Goshen.

Of particular note is the marked increase of the Northampton Co-operative Bank's 1998 HMDA reportable lending. In the first nine months of 1998, the bank's overall HMDA reportable lending has already achieved 108.5 percent of the number, and 108.1 percent of the dollar volume of HMDA reportable lending level that was reached in all of 1997. Inside the bank's assessment area, HMDA reportable lending (through September 30, 1998) has achieved 105.8 percent of the number, and 105.7 percent of the dollar volume of that which was reported in calendar year 1997. This change is primarily attributable to the significant increase in the number of refinances in 1998.

As indicated in the Performance Context of this Public Evaluation, the Northampton Co-operative Bank was ranked twelfth in market share with 69 loans, or a 2.0 percent share. However, it should be noted that of the top 10 financial institutions for all applicants within the Northampton Co-operative Bank's assessment area (as of June 30, 1998), 6 are bank's having assets of between \$334 million and \$1.5 billion. As of June 30, 1998, the Northampton Co-operative Bank had total assets of \$82 million. The seventh bank within this group is Fleet National Bank, the largest bank in New England. Also included in the top 10 lenders grouping were 3 large regional/national mortgage companies, which because of their size and staffing have significant resources available to them. These resources are not available to the Northampton Co-operative Bank.

Based upon the aforementioned analysis, the Northampton Co-operative Bank's HMDA reportable lending within its assessment area appears to be substantial.

3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

The following information reflects the Northampton Co-operative Bank's performance in reaching those individuals of different income levels within its assessment area, especially low- and moderate-income individuals. Based upon the subsequent analysis, the bank's distribution of credit among different income levels within its assessment area is considered adequate. Therefore, the bank is determined to meet the standard for satisfactory performance in this category.

An analysis of residential mortgage loans extended within the bank's assessment area, among various income levels was conducted. Originations were categorized by the ratio of the applicant's reported incomes to the 1997 and 1998 estimated median family incomes of the appropriate MSA or non-MSA .

Low income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA; moderate income is defined as 50 to 79 percent of the median family income; middle income is defined as income between 80 and 119 percent of the median family income; and upper income is defined as income greater than 120 percent of the median family income.

HMDA REPORTABLE LOAN ORIGINATIONS BY BORROWER'S INCOME LEVEL*												
% OF MEDIAN FAMILY INCOME	1997				1998**				TOTAL			
	#	%	\$	%	#	%	\$	%	#	%	\$	%
<50	1	1.5	121	1.5	4	5.5	334	3.9	5	3.5	455	2.7
50 – 79	5	7.2	345	4.3	4	5.5	401	4.7	9	6.3	746	4.5
80 – 119	17	24.6	1,403	17.4	20	27.4	1,702	20.0	37	26.1	3,105	18.8
120+	40	58.0	4,895	60.8	42	57.5	5,313	62.5	82	57.7	10,208	61.7
NA	6	8.7	1,283	16.0	3	4.1	757	8.9	9	6.4	2,040	12.3
TOTAL	69	100.0	8,047	100.0	73	100.0	8,507	100.0	142	100.0	16,554	100.0

*Source: PCI Services, Inc., CRA Wiz Software.

** Through September 30, 1998.

It should be noted that 9 originations were designated as not applicable for 1 of the following reasons:

- The borrowers' income was not taken into account when granting the loan;
- The borrower is a bank employee; or
- The loan was purchased.

As the above table indicates, 9.8 percent of HMDA reportable loans (by number) within the bank's assessment area were to borrowers of low and moderate-income, followed by loans to middle-income borrowers with 26.1 percent, and upper-income borrowers accounting for 57.7 percent. The bank's lending to individuals of low-income, through September 30, 1998, has already exceeded that of all of calendar year 1997. In 1998, the bank has also exceeded 1997 levels for dollar volume to borrowers of moderate-income.

A comparative analysis of the Northampton Co-operative Bank's 1997 HMDA reportable lending to that of other HMDA reporters within the assessment area was also conducted. The following table provides comparative aggregate data (exclusive of the Northampton Co-operative Bank) of HMDA reportable lending to borrowers of various income levels in its assessment area. Also included in the following table is the number and percentage of family households (per 1990 census data) within each of the median family income groupings.

COMPARISON OF HMDA REPORTABLE LENDING BY BORROWER'S INCOME LEVEL*										
% OF MEDIAN FAMILY INCOME	1997 BANK PERFORMANCE				1997 AGGREGATE DATA				FAMILY HOUSEHOLDS	
	#	%	\$(000)	%	#	%	\$(000)	%	#	%
<50	1	1.5	121	1.5	108	3.1	4,950	1.4	5,471	15.8
50 – 79	5	7.2	345	4.3	528	15.1	34,598	10.0	5,424	15.7
80 – 119	17	24.6	1,403	17.4	994	28.4	86,754	25.0	8,527	24.6
120+	40	58.0	4,895	60.8	1,559	44.6	187,101	53.8	15,208	43.9
NA	6	8.7	1,283	16.0	310	8.8	34,213	9.8	0	0.0
TOTAL	69	100.0	8,047	100.0	3,499	100.0	347,616	100.0	34,630	100.0

*Source: PCI Services, Inc., CRA Wiz Software.

As indicated, the Northampton Co-operative Bank's lending to low and moderate-income individuals appears to be below that of the aggregate by number, and equal or below that of the aggregate by dollar volume of loans originated in 1997.

Included in the low-income category are 1,934 family households within the bank's assessment area whose income is considered to be below poverty level, and thus, unlikely to qualify for a HMDA reportable loan. If that category were adjusted to reflect this fact, the number of low-income family households within the bank's assessment area would be 3,537 or 10.8%.

As discussed in the Performance Context portion of this Public Evaluation, the weighted average value of median housing for the Northampton Co-operative Bank's assessment area is \$137,553, and the HUD estimated median family income of the Springfield MSA and the non-MSA are \$45,500 and \$44,900, respectively. That places the low-income range at less than \$22,750 for the Springfield MSA and less than \$22,450 for the non-MSA. The moderate-income range for the Springfield MSA would be between \$22,750 and \$35,945, and the non-MSA would be between \$22,450 and \$35,471. These two conditions combine to place substantial constraints on the percentage of mortgage loans made within lower income categories.

In conclusion, the Northampton Co-operative Bank's level of HMDA reportable lending within its assessment area is considered to be reasonable, given the performance context issues.

4. GEOGRAPHIC DISTRIBUTION OF LOANS

The following analysis indicates that the Northampton Co-operative Bank appears to have achieved a good penetration of the low and moderate-income census tracts within its assessment

area. Therefore, the bank was found to exceed the standards for satisfactory performance within this category.

The Northampton Co-operative Bank's Home Mortgage Disclosure Act (HMDA) reportable lending was reviewed. For the purposes herein, the period under review constitutes calendar year 1997 HMDA data, as well as the bank's Loan Application Register (LAR) through September 30, 1998.

An analysis of HMDA reportable lending extended within the various census tracts contained in the Northampton Co-operative Bank's assessment area for the period under review was conducted. To reiterate, the bank's assessment area contains thirty-five census tracts, one (2.9%) low-income, one (2.9%) moderate-income, seventeen (48.5%) middle-income, twelve (34.3%) upper-income, and four (11.4%) census tracts with no income designation.

Refer to the following table for more information.

HMDA REPORTABLE ORIGINATIONS BY CENSUS TRACT												
CENSUS TRACT INCOME LEVEL	1997*				1998**				TOTAL			
	#	%	\$(000)	%	#	%	\$(000)	%	#	%	\$(000)	%
LOW	1	1.4	135	1.7	3	4.1	262	3.1	4	2.8	397	2.4
MODERATE	4	5.8	398	4.9	6	8.2	898	10.6	10	7.0	1,296	7.8
MIDDLE	42	60.9	4,963	61.7	41	56.2	4,715	55.4	83	58.5	9,678	58.5
UPPER	22	31.9	2,551	31.7	23	31.5	2,632	30.9	45	31.7	5,183	31.3
NA	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
TOTAL	69	100.0	8,047	100.0	73	100.0	8,507	100.0	142	100.0	16,554	100.0

*Source: PCI Services, Inc., CRA Wiz Software.

** Through September 30, 1998.

A comparative analysis of the Northampton Co-operative Bank's 1997 HMDA reportable lending to that of other HMDA reporters within the assessment area was also conducted. The following table provides comparative aggregate data (exclusive of the Northampton Co-operative Bank) of HMDA reportable lending within the various census tracts in its assessment area. Also included in the following table is the number and percentage of owner occupied properties (per 1990 census data) within each of the census tract groupings.

COMPARISON OF HMDA REPORTABLE LENDING BY CENSUS TRACTS*										
CENSUS TRACTS	1997 BANK PERFORMANCE				1997 AGGREGATE DATA				OWNER OCCUPIED PROPERTIES	
	#	%	\$(000)	%	#	%	\$(000)	%	#	%
LOW	1	1.4	135	1.7	13	0.4	1,913	0.6	0	0.0
MODERATE	4	5.8	398	4.9	88	2.5	13,321	3.8	774	2.3
MIDDLE	42	60.9	4,963	61.7	2,234	63.8	215,780	62.1	21,439	64.3
UPPER	22	31.9	2,551	31.7	1,104	31.6	112,163	32.3	11,143	33.4
NA	0	0.0	0	0.0	60	1.7	4,439	1.2	0	0.0
TOTAL	69	100.0	8,047	100.0	3,499	100.0	347,616	100.0	33,356	100.0

*Source: PCI Services, Inc., CRA Wiz Software.

As previously discussed in the Performance Context portion of this Public Evaluation, there was no owner occupied housing in the low-income census tract at the time of the 1990 Census. There were, however, 128 housing units in that tract. Those 128 units were either rented or

vacant at the time the census was taken. Those units consisted of apartment complexes and a handful of single family frame dwellings. Since the 1990 census, some of those single family frame dwellings have been placed on the market and subsequently sold. In addition, a few of the apartment complexes within the low-income census tract have been converted to condominiums and also sold to individuals. These sales are reflected above.

When comparing the bank's calendar 1997 performance to that of the aggregate, the bank percentage of lending is 1 percent over the aggregate by number and 1.10 percent ahead of the aggregate by dollar volume, in the one low-income census tract. In the moderate-income tract, the bank's percentage of lending is 3.3 percent over the aggregate by number, and 1.10 percent ahead of the aggregate by dollar volume. When Northampton Co-operative Bank and the aggregate lenders 1997 data is taken as a whole, the bank captured 7.1 percent of the total number and 6.6 percent of the total dollar volume of all HMDA reportable lending in the low-income census tract. In the moderate-income census tract, the bank captured 4.4 percent of the number and 2.9 percent of the dollar volume of all HMDA reportable lending within that tract.

Given the aforementioned demographics, the data, and the analysis of same, the Northampton Co-operative Bank's geographic distribution of lending performance does exceed aggregate data, and is considered to exceed adequate performance.

5. REVIEW OF COMPLAINTS/FAIR LENDING POLICIES AND PRACTICES

Review Of Complaints

The Northampton Co-operative Bank has not received complaints from any residents within its assessment area regarding its CRA performance for the period under review. If a complaint is received, the bank's Executive Vice President first handles it. If further resolution is warranted, the complaint then goes to the bank's President.

Fair Lending Policies and Practices

Incorporated within the Northampton Co-operative Bank's Loan Policy is the bank's Fair Lending Policy/Statement. The policy mirrors the requirements established in the Equal Credit Opportunity Act. It also addresses credit-counseling issues, staff training, and second review procedures. Detailed below is the bank's fair lending performance as it relates to the guidelines established by the Division of Banks Regulatory Bulletin 2.3-101 (formally Administrative Bulletin 5-10). For its size, the bank has a well-developed and proactive fair lending program.

Staff Training

The Northampton Co-operative Bank's goal is to provide employees with training appropriate to their job description and responsibilities whenever possible. On January 21, 1998 all staff attended an in-house training session on fair lending issues. The training covered the Community Reinvestment Act, the bank's Fair Lending Policy, and a viewing of "Closing the Gap" video produced by the Federal Reserve System.

Throughout 1997 and 1998, employees of the bank attended various Fair Lending, CRA, Equal Credit Opportunity Act, and Compliance seminars sponsored by outside entities. The following are some of the seminars attended by bank employees.

<u>SEMINAR</u>	<u>SPONSOR</u>	<u>DATE (S) ATTENDED</u>
HMDA Reporting Seminar	The Massachusetts Mortgage Bankers Association & The Community Bank League of New England	February 25, 1997
Annual Bank Compliance Teleconference	Massachusetts Bankers Association	March 20, 1997
Compliance Training	The Community Bank League of New England	May 6, 1997
The Fifth Annual Regulatory/Compliance Education Series	Massachusetts Bankers Association	September 23-24, 1997
HMDA Reporting Seminar	The Massachusetts Mortgage Bankers Association & The Community Bank League of New England	February 12, 1998
Mortgage Lending Basics	Massachusetts Bankers Association	March 24, 1998
Fair Housing and Fair Lending Training	Bank Compliance Association of Western Massachusetts	March 26, 1998

Staff Composition and Compensation

As of September 30, 1998, the Northampton Co-operative Bank employed 24 individuals, none of whom are minority or speak a foreign language. Personnel responsible for loan originations are not compensated on a commission basis and are therefore encouraged to make loans of all dollar amounts.

Outreach

The Northampton Co-operative Bank's management and members of its Board of Directors have met with a full range of individuals and groups representing civic, neighborhood, small business and community development interests. Meaningful and ongoing relationships are maintained with a variety of community organizations in order to determine the credit needs of the bank's assessment area, including low and moderate-income neighborhoods. These organizations include, but are not limited to, the following: the Northampton Area Business Council; the Economic Development Industrial Corporation of Amherst; the Northampton Area Development Corporation; the Community Foundation of Western Massachusetts; the Northampton Chamber of Commerce; and the Amherst Rotary Club. In addition, the Northampton Co-operative Bank is an associate member of the Franklin-Hampshire County Association of Realtors.

Credit Products and Underwriting Standards

The Northampton Co-operative Bank's Security Committee, which is comprised of at least three members of the bank's Board of Directors, evaluates the bank's products and product mix on an ongoing basis. This analysis is conducted to help determine whether the bank is offering competitive products and whether those products are responsive to the assessment area's needs. Loan underwriting standards are reviewed by the Security Committee to determine whether such standards may be excluding low and moderate-income individuals from qualifying for a loan.

Marketing

The Northampton Co-operative Bank does a good job of promoting its credit products by utilizing newspapers that are circulated throughout its assessment area. The newspapers that the bank advertises in on a regular basis include the Daily Hampshire Gazette, the Amherst Bulletin, and Homes Magazine. In addition, loan and deposit rates are published weekly in The Valley Advocate, a free publication. The bank also advertises on local radio stations WFCR-FM, WHMP-AM, WPVQ-FM, WRNX-FM, and WRSI-FM.

The Northampton Co-operative Bank promotes its credit services by the use of brochures, lobby posters, direct mail flyers, and statement stuffers as well.

Credit Education

The Northampton Co-operative Bank has not sponsored or participated in any credit education seminars during the period under review. However, personnel responsible for loan originations attempt to educate every potential loan applicant on an individual basis on the products the bank offers. Loan origination staff will also walk a new homebuyer through the underwriting process step by step.

Counseling

The bank refers customers in need of credit assistance to an appropriate credit counseling service. Management of the bank also provides general information regarding credit management in an informal format.

Second Review Practices

All denied loans are sent to the bank's Security Committee at their monthly meetings to insure that the same underwriting standards are applied evenly and fairly to all applicants. Approved applications are also reviewed to determine whether compensating factors are applied fairly and consistently.

Internal Control Procedures

Annually, senior management of the Northampton Co-operative Bank reviews HMDA/LAR data. Subsequently, such data is presented to the Compliance Committee, which is composed of two members of the Board of Directors and senior management. In addition, all loans, whether approved or denied (see above), are reviewed by the bank's Security Committee.

Minority Application Flow

The Division reviewed the number of applications received from minority applicants. For the period under review, the bank received a total of 9 applications from various minority groups. This represents approximately 5.3 percent of all applications received. As of the 1990 census, the bank's assessment area population by racial composition was 92.6 percent White, 0.2 percent Native American, 2.9 percent Asian, 1.2 percent African American, 2.6 percent Hispanic, and 0/1 percent Other.

Applications received from minority individuals are depicted in the table below. Also included within the table is the 1997 minority application flow aggregate data for all HMDA reportable lenders (exclusive of the Northampton Co-operative Bank).

MINORITY APPLICATION FLOW*								
RACE	AGGREGATE 1997 DATA		BANK 1997		BANK 1998**		BANK TOTAL	
	#	%	#	%	#	%	#	%
<i>Native American</i>	14	0.3	0	0.0	0	0.0	0	0.0
<i>Asian</i>	49	1.0	1	1.1	1	1.2	2	1.2
<i>African American</i>	28	0.6	1	1.1	4	5.0	5	2.9
<i>Hispanic</i>	51	1.1	1	1.1	0	0.0	1	0.6
<i>Other</i>	43	0.9	0	0.0	1	1.2	1	0.6
TOTAL MINORITY	185	3.9	3	3.3	6	7.4	9	5.3
<i>White</i>	3,827	80.6	86	95.6	69	85.2	155	90.6
<i>NA</i>	734	15.5	1	1.1	6	7.4	7	4.1
TOTAL	4,746	100.0	90	100.0	81	100.0	171	100.0

*Source: PCI Services, Inc., CRA Wiz Software.

** Through September 30, 1998.

It should be noted that applications categorized as NA are applications either taken by phone or received through the mail. The high level of NAs in the aggregate (15.5%) reflect the significant influence of the large regional/national mortgage companies within the Northampton Co-operative Bank's assessment area that accept HMDA reportable loan applications, as a significant amount of their applications are either received by phone or by mail.

The aggregate data shows that applications from minorities represented 3.9 percent of total applications received, while the bank's application flow (in 1997) was slightly below at 3.3 percent. Based upon this percentage, the bank appears to have achieved parity with the aggregate in lending to minorities.

QUALIFIED INVESTMENTS AND SERVICES

At management's request, the Northampton Co-operative Bank's investments and services were reviewed.

Investments

As defined under the revised CRA regulation, a qualified investment is a lawful investment, deposit, membership share or grant that has community development as its primary purpose. Community development includes affordable housing for low and moderate-income individuals, community services targeted to low and moderate-income individuals, activities that promote economic development by financing small businesses or small farms, and activities that revitalize or stabilize low and moderate-income geographies.

Charitable Contributions

There appears to be little opportunity for the Northampton Co-operative Bank to invest in qualified investments within its assessment area. The majority of its investments/grants go to support the arts, churches, libraries, area schools, and a substantial five-year commitment to a local hospital. However, the bank is a corporate sponsor of The Hampshire Community United Way, and has made donations to the Western Massachusetts Food Bank, Habitat for Humanity, the Northampton Survival Center, Not Bread Alone, the Amherst Survival Center, the Children's Trust Fund, and the Consumer Credit Counseling Services of Massachusetts.

Services

Retail Services

As described in the Loan to Deposit Analysis section of the report, the Northampton Co-operative Bank has a correspondent relationship with Park West Bank and Trust whereby it accepts initial applications and subsequently refers fixed-rate loan applications to Park West, which in turn makes the credit decision and maintains such loans on its HMDA LAR. According to the Interagency Questions and Answers on the Revised Community Reinvestment Act Regulations dated October, 1996, such activity may be considered as a retail banking service. During the period examined, the Northampton Co-operative Bank referred 30 loans with a total value of \$3,300,500 to Park West Bank and Trust.

The Northampton Co-operative Bank has two locations, its main office located on King Street in Northampton, and its branch office on Triangle Street in Amherst. The main office location falls within a non-income designated census tract in Northampton, and the branch office location in Amherst is located in a middle-income census tract. Both offices maintain ATMs that are linked to the NYCE/Cirrus networks, and both locations offer drive-up service with extended morning hours. The main office location offers the only drive-thru ATM in downtown Northampton.

The Northampton Co-operative Bank offers both a NOW checking account and a basic savings (both passbook and statement) account. The NOW checking account requires a \$500.00 minimum balance to avoid a \$5.00 per month fee, free initial checks, and free ATM usage at the bank's two ATM machines. In addition, this account offers five free telephone transfers per month. There is no monthly fee assessed for direct deposit customers.

The basic savings account offers a \$50.00 minimum balance requirement to avoid a \$2.00 per month fee as well as free ATM usage at the bank's two ATM machines. Both the NOW checking and the basic savings products offer five free ATM withdrawals per month at foreign terminals

For its business customers, the Northampton Co-operative Bank offers a checking account with no minimum balance requirement, a \$0.15 per check charge, a \$0.65 charge for each deposit, a \$0.06 charge for each deposited item, and a \$6.00 monthly maintenance fee. In addition, the bank accepts Treasury Tax & Loan Payments (TT&L) and a night depository is available at the bank's Amherst branch location.

The Northampton Co-operative Bank offers a 24 hour, 7-day a week information system accessible from a touch-tone telephone called "EA\$Y ACCESS". "EA\$Y ACCESS" provides rate information on deposit accounts and loan products, allows the transfer of monies between accounts, and gives access to account balances and transactions made on deposit accounts.

Community Development Services

The Northampton Co-operative Bank's President and Chief Executive Officer serves on the Board and the Finance Committee of Lathrop Home, a 120 year old Massachusetts non-profit corporation which provides assisted-living residential care for senior citizens.

The bank's President also serves as a member of, and on the Distribution Committee for the Community Foundation of Western Massachusetts (CFWM). The CFWM was originally formed as a conduit for undesignated trust fund monies that were held at some of the large, commercial banks located in the area at the time. Currently, the CFWM relies on individual donations and fundraising to support its efforts. The Distribution Committee is comprised of volunteers who meet quarterly to review requests from charitable organizations and grant monies when appropriate. The CFWM grants approximately \$3 to \$4 million in charitable contributions throughout all of Western Massachusetts each year.

The Northampton Co-operative Bank's President and Chief Executive Officer is also a member of the Northampton Area Business Council, the Northampton Area Development Corporation, the Economic Development Industrial Corporation of Amherst, and a Board member of the United Way of Hampshire County.

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

THE NORTHAMPTON CO-OPERATIVE BANK

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **OCTOBER 20, 1998**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

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A majority of the Board of Directors/Trustees

Dated at _____ this _____ day of _____ 19 ____